

IRS News Release

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IRS Draft Form 1120-F and New Schedule M-3 (1120-F) Now Available for Public Comment

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WASHINGTON — The Internal Revenue Service has issued for public comment draft versions of the revised Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, for tax year 2007 and related schedules, including Schedule M-3, new for 2007. Taxpayers with \$10 million or more in total reportable assets filing Form 1120-F for tax years ending on or after Dec. 31, 2007, will be required to file Schedule M-3.

Three other new schedules for Form 1120-F include:

- Schedule H, Deductions Allocated To Effectively Connected Income Under Regulations Section 1.861-8
- Schedule I, Interest Expense Allocated Under Regulations Section 1.882-5
- Schedule P, List of Foreign Partner Interest in Partnerships

The new schedules will provide for increased disclosure of information regarding such items as allocable interest expense and home office deductions, as well as effectively- and non-effectively-connected income that is included in Form K-1 reported by a partnership to a foreign corporate partner and that is reportable by the partner on Form 1120-F. The new schedules also provide a consistent reporting format for all taxpayers.

In addition, Schedules M-1 and M-2, previously included in Form 1120-F, are now separate forms. Schedule M-1, Reconciliation of Income (Loss) per Books with Income per Return is used by corporations with assets under \$10 million. Schedule M-2, Analysis of Unappropriated Retained Earnings per Books, is used by all asset size corporations.

The draft Form 1120-F and related schedules are available on the IRS Web site at IRS.gov. Comments should be submitted by May 25, 2007, via e-mail to SchM3@irs.gov.